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**SEVENTY-SEVENTH
ANNUAL REPORT
DECEMBER 1969**

*Serving Canadian Industries
with Quality Food Products
through*

Manufacture • Import • Distribution and Research





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DIRECTORS

*Aubrey W. Baillie
Thomas H. Bowes
Thomas G. Drew-Brook
Bremner B. Green
Earle B. Hawkins
Stanley L. Meek, C.A.
James W. Walker, Q.C.*

OFFICERS

*Aubrey W. Baillie — Chairman of the Board
Bremner B. Green — President and General Manager
Thomas H. Bowes — Vice-President
Stanley L. Meek, C.A. — Secretary-Treasurer*

HEAD OFFICE

181 Carlaw Avenue, Toronto 8

AUDITORS

Clarkson, Gordon and Company

COUNSEL

McCarthy and McCarthy

TRANSFER AGENT

National Trust Company, Limited

To the Shareholders:

YOUR Directors are pleased to submit the 1969 Annual Report of Bowes Company Limited including the consolidated financial statements of the Company and its subsidiary companies for the year ended December 31, 1969.

Consolidated net profit for the year after provisions for income taxes amounted to \$977,143 compared with a net profit of \$921,370 for 1968. This represents \$1.61 per common share in 1969 compared with \$1.52 in 1968. In addition, in 1968 a special non-recurring dividend of \$40,320 was received from an affiliated company. In the opinion of your Directors your company had another excellent year.

Consolidated cash flow from operations amounted to \$1,368,337 in 1969 as compared with \$1,256,935 in 1968. The company's working capital only increased by \$235,459 to \$4,808,737 due to the major capital expenditure programme undertaken in 1969. This programme is nearing completion, and we anticipate that during the current year fixed asset additions will be approximately \$500,000.

Investments in affiliated companies as shown on the balance sheet under the heading of Investments was increased by \$21,415. We are participating in the formation of a new company that will supply and distribute beverage syrups and allied products in the Caribbean Islands. Our company's share of earnings from affiliated companies for the year amounted to \$67,585 and is not included in our statement of consolidated income. Our underlying equity in these companies is \$499,000 and is being carried on the balance sheet at \$123,957.

The common shareholders received a quarterly dividend of 12½¢ per share and an extra dividend of 10¢ per share in 1969, which amounts to 60¢ per common share in comparison to 50¢ per share paid in 1968.

Your Directors express their appreciation to the employees of all the companies for their continued loyalty and efficiency during the year.

The report of the auditors of your Company, Messrs. Clarkson, Gordon & Company on the consolidated statements is respectfully submitted herewith.

April 13, 1970
Toronto, Ontario

ON BEHALF OF THE BOARD

Aubin

Chairman

BOWES COMPANY, LIMITED

and its subsidiary companies

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

for the year ended December 31, 1969

(with comparative figures for 1968)

	1969	1968
Sales and commissions earned	\$28,759,537	\$27,423,276
Operating profit for the year before the following	\$ 2,600,414	\$ 2,393,463
Add income from investments	15,607	16,807
	<hr/> 2,616,021	<hr/> 2,410,270
Deduct:		
Depreciation	391,194	335,565
Directors' remuneration	120,684	99,335
	<hr/> 511,878	<hr/> 434,900
Profit before income taxes	2,104,143	1,975,370
Income taxes	1,127,000	1,054,000
Consolidated net profit for the year	977,143	921,370
Add special dividend from affiliated company		40,320
Balance transferred to retained earnings	977,143	961,690
Retained earnings, beginning of year	7,693,690	7,034,518
	<hr/> 8,670,833	<hr/> 7,996,208
Less dividends paid on common shares	363,022	302,518
Retained earnings, end of year	<hr/> \$ 8,307,811	<hr/> \$ 7,693,690

(See accompanying notes to the consolidated financial statements)

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AND ITS SUBSID

CONSOLIDATED BALANCE S

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	<u>1969</u>	<u>1968</u>
Current:		
Cash	\$ 230,733	\$ 90,721
Short-term investments — at cost which approximates market value	431,312	157,000
Accounts receivable — trade, less allowance for doubtful accounts (note 1)	3,070,172	2,700,505
Inventories valued at the lower of cost or replacement cost (note 1)	6,791,327	5,482,094
Prepaid expenses	35,542	55,412
	<u>10,559,086</u>	<u>8,485,732</u>
Investments:		
Investments in and advances to affiliated companies at cost less amounts written off (note 2)	123,957	102,542
Mortgages receivable	67,257	94,500
	<u>191,214</u>	<u>197,042</u>
Fixed, at cost:		
Buildings, machinery and equipment	6,404,417	5,670,379
Less accumulated depreciation	3,231,465	2,927,132
	<u>3,172,952</u>	<u>2,743,247</u>
Land	327,046	284,979
	<u>3,499,998</u>	<u>3,028,226</u>
Other:		
Processes, trademarks, etc., at cost less amounts written off	31,560	31,442
Goodwill at cost (including net excess of cost of subsidiaries over their net book value at dates of acquisition),	32,439	32,439
	<u>63,999</u>	<u>63,881</u>
	<u>\$14,314,297</u>	<u>\$11,774,881</u>

(See accompanying notes to the

NY, LIMITED

(*laws of Canada*)

COMPANIES

STATEMENT — DECEMBER 31, 1969

(*at December 31, 1968*)

LIABILITIES

	<u>1969</u>	<u>1968</u>
Current:		
Bank loans and overdrafts (secured — note 1)	\$ 3,109,862	\$ 2,000,325
Accounts payable and accrued charges	2,285,839	1,554,334
Income and other taxes payable	354,648	357,795
	<u>5,750,349</u>	<u>3,912,454</u>
Forgivable loan from the Ontario Development Corporation (note 3)	87,400	
Shareholders' equity:		
Capital —		
Authorized (note 4):		
1,325,537 non-cumulative, redeemable 1% preferred shares with a par value of \$1 each		
900,000 common shares of no par value		
Issued:		
605,035 common shares	168,737	168,737
Retained earnings	<u>8,307,811</u>	<u>7,693,690</u>
	<u>8,476,548</u>	<u>7,862,427</u>
On behalf of the Board:		
A. W. Baillie, Director		
B. B. Green, Director		
	<u>\$14,314,297</u>	<u>\$11,774,881</u>

BOWES COMPANY, LIMITED

and its subsidiary companies

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Funds were provided from:		
Operations —		
Consolidated net profit for the year	\$ 977,143	\$ 921,370
Add depreciation charged against income but which did not involve an outlay of funds	391,194	335,565
	<u>1,368,337</u>	<u>1,256,935</u>
Forgivable loan from the Ontario Development Corporation	87,400	
Mortgage payments received	27,243	26,000
Special dividend from affiliated company		40,320
Net assets acquired in excess of price paid on purchase of subsidiary		41,712
Recovery on investment in goodwill on sale of controlling interest in a subsidiary		63,292
	<u>1,482,980</u>	<u>1,428,259</u>
Funds were applied to:		
Purchase of fixed assets (net of proceeds on disposals)	862,966	449,927
Dividends paid	363,022	302,518
Investment in and advances to affiliated companies	21,415	76,367
Investment in mortgages		30,000
Payments for processes, trademarks, etc.	118	
	<u>1,247,521</u>	<u>858,812</u>
Increase in working capital	235,459	569,447
Working capital at beginning of year	<u>4,573,278</u>	<u>4,003,831</u>
Working capital at end of year	<u>\$ 4,808,737</u>	<u>\$ 4,573,278</u>
Represented by		
Current assets	\$10,559,086	\$ 8,485,732
Less current liabilities	5,750,349	3,912,454
	<u>\$ 4,808,737</u>	<u>\$ 4,573,278</u>

BOWES COMPANY, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1969

1. ACCOUNTS RECEIVABLE AND INVENTORIES

The accounts receivable and inventories of the parent company and certain subsidiary companies have been pledged as security against the bank indebtedness.

2. INVESTMENTS IN AFFILIATED COMPANIES

The company's share of the equity underlying its investment in affiliated companies according to the 1969 audited financial statements is \$499,000 (1968 — \$410,000).

3. FORGIVABLE LOAN

By agreement dated January 9, 1969 the Ontario Development Corporation has undertaken to advance to the company a maximum of \$214,853 by way of an interest-free forgivable loan to assist in the financing of an extension under construction at the company's plant in Colborne, Ontario. Until the loan is forgiven it is secured by a first mortgage on the Colborne lands and premises. At December 31, 1969 \$87,400 had been advanced under the agreement. Provided the company complies with all the terms of the agreement, no interest is payable on the loan and it will be forgiven over a six-year period commencing one year after the final advance of funds.

4. AUTHORIZED CAPITAL

During the year Supplementary Letters Patent were obtained to reduce the authorized preferred share capital from 1,600,793 shares to 1,325,537 shares to reflect redemption of preferred shares in prior years. As a result, the \$275,256 of retained earnings previously designated as capital surplus, as required by statute on the redemption of preferred shares, has now been restored as retained earnings.

5. CONTINGENT LIABILITIES

The companies are contingently liable in the following amounts: letters of credit outstanding \$654,000; guarantees of bank advances to affiliated companies up to \$1,500,000; guarantees of mortgages of approximately \$322,000 on property occupied by affiliated companies.

AUDITORS' REPORT

*To the Shareholders of
Bowes Company, Limited:*

We have examined the consolidated balance sheet of Bowes Company, Limited and its subsidiary companies as at December 31, 1969 and the statements of consolidated income and retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Bowes Company, Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of Glendinning, Jarrett, Gould & Co. who have examined the financial statements of a major subsidiary of which they are the auditors and the assets of which represent approximately 25 per cent of consolidated assets.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 12, 1970.

CLARKSON, GORDON & CO.
Chartered Accountants

BOWES COMPANY, LIMITED and subsidiary companies

FIVE YEAR FINANCIAL RECORD

	1969	1968	1967	1966	1965
OPERATIONS					
Sales and Commissions Earned	\$28,759,537	\$27,423,276	\$26,465,081	\$23,861,905	\$23,825,000
NET PROFIT FOR THE YEAR	\$ 977,143	\$ 921,370	\$ 859,453	\$ 653,805	\$ 642,810
Per Share	\$ 1.61	\$ 1.52	\$ 1.42	\$ 1.08	\$ 1.06
NET CASH FLOW	\$ 1,368,337	\$ 1,256,935	\$ 1,178,951	\$ 948,378	\$ 910,501
Per Share	\$ 2.26	\$ 2.08	\$ 1.95	\$ 1.57	\$ 1.50
DIVIDENDS PAID					
Common Shares	\$ 363,022	\$ 302,518	\$ 181,510	\$ 181,510	\$ 181,510
Per Share	\$.60	\$.50	\$.30	\$.30	\$.30
REDEMPTION OF PREFERRED SHARES					
			\$ 137,640	\$ 137,616	\$ 68,779
EQUITY CAPITAL INVESTED					
Working Capital	\$ 4,808,737	\$ 4,573,278	\$ 4,003,831	\$ 3,434,455	\$ 3,512,428
Fixed Assets — Net	3,499,998	3,028,226	2,913,864	2,756,629	2,245,828
Goodwill and Trade Marks	63,999	63,881	168,885	163,143	163,143
Investments	191,214	197,042	116,675	308,725	367,930
TOTAL NET ASSETS	\$ 8,563,948	\$ 7,862,427	\$ 7,203,255	\$ 6,662,952	\$ 6,289,329
Deduct:					
Forgivable Loan	87,400	—	—	—	—
Preferred Shares	—	—	—	137,640	275,256
TOTAL SHAREHOLDERS EQUITY	\$ 8,476,548	\$ 7,862,427	\$ 7,203,255	\$ 6,525,312	\$ 6,014,073
Per Share	\$ 14.01	\$ 12.99	\$ 11.90	\$ 10.78	\$ 9.94

